

Message Text

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TO AMEMBASSY SEOUL PRIORITY

C O N F I D E N T I A L STATE 241237

FOLLOWING REPEAT STATE 241237 ACTION TAIPEI INFO HONG KONG

TOKYO PEKING DATED 2 NOV 74

QUOTE

C O N F I D E N T I A L STATE 241237

E.O. 11652: GDS

TAGS: EINV, ETRD, OPIC, TW

SUBJECT: ROC ECONOMIC MINISTER SUN CALL ON ACTING
SECRETARY

1. ROC ECONOMIC MINISTER Y.S. SUN BEGAN CALL ON
ACTING SECRETARY WITH DESCRIPTION ROC'S ECONOMIC SITUA-
TION. SUN NOTED THAT WHILE INFLATION NOW UNDER CONTROL,
ROC'S ECONOMY HAD BEEN HURT BY GLOBAL ECONOMIC SLOW-
DOWN. SOFTENING EXPORTS HAD CONTRIBUTED TO DECLINE IN
GNP REAL GROWTH TO 6 THIS YEAR AS COMPARED TO 12
LAST YEAR. SUN SAID THAT FOREIGN INVESTMENT SIDE
WAS GOING WELL. DURING CURRENT VISIT HE HAD MET WITH
GE AND UNION CARBIDE REPRESENTATIVES AND WAS ENCOURAGED
ABOUT POSSIBILITY OF THESE COMPANIES MAKING SUBSTANTIAL
INVESTMENTS IN ROC. HE DID NOT SPECIFY THE NATURE OF
THESE INVESTMENTS.

2. SUN EXPRESSED APPRECIATION FOR US SUPPORT OF
FOREIGN INVESTMENT ON TAIWAN AND HOPED IT WOULD CON-
TINUE. ACTING SECRETARY REPLIED THAT WE WOULD CON-
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TINUE TO DIRECT POTENTIAL US INVESTORS' ATTENTION TO

FACT THAT A SIZEABLE NUMBER OF US COMPANIES HAD CONCLUDED THAT THE PROSPECTIVE GAINS FROM INVESTMENT ON TAIWAN OUTWEIGHED THE RISKS.

3. SUN STATED ROC WOULD SEEK TO DIVERT IMPORT OF

. CAPITAL EQUIPMENT FROM JAPAN AND EUROPE TO THE US TO REDUCE ITS TRADE SURPLUS WITH US. ROC HAD ALREADY NARROWED THE TRADE GAP FROM \$450 MILLION IN THE FIRST EIGHT MONTHS OF LAST YEAR TO \$220 MILLION FOR THE CORRESPONDING PERIOD THIS YEAR. SUN SAID THAT THE DIFFICULTY IN OBTAINING EXIM FINANCING WAS AN OBSTACLE TO FURTHER ACCOMPLISHMENT. ACTING SECRETARY EXPRESSED APPRECIATION FOR ROC ATTEMPTS TO NARROW THE TRADE GEM HE REVIEEED THE PROBLEMS THE EXIM BANK FACED IN OBTAINING FUNDS. ASSISTANT SECRETARY HABIB ALSO RAISED PROBLEM OF EXIM BANK OVEREXPOSURE IN ONE COUNTRY.

4. FOLLOWING DISCUSSION OF COTTON PROBLEM (REPORTED SEPTTEL), SUN DESCRIBED ROC GAS FIND OFF KAOHSIUNG. HE REVEALED ROC WAS CONSTRUCTING A 28,000-TON VESSEL FOR GULF TO USE BEGINNING NEXT YEAR IN OIL EXPLORATIONS IN ZONE II, NORTHWEST OF KEELUNG. SUN ASKED IN GENERAL TERMS FOR US SUPPORT OF ROC DEVELOPMENT OF OFFSHORE OIL RESOURCES.

5. IN FOLLOW-UP MEETING WITH SUN, ASSISTANT SECRETARY HABIB SAID THAT WELCOME INFERENCE DRAWN FROM MINISTER'S FAILURE TO RAISE QUESTION OF OPIC GUARANTEE WITH ACTING SECRETARY WAS THAT ROC FULLY UNDERSTOOD OUR POSITION. NO DISCRIMINATION WAS INVOLVED. POLICY AGAINST OPIC GUARANTEES IN DISPUTED WATERS IS WORLD-WIDE AND WOULD BE MAINTAINED. WE HAD NO PROBLEMS WITH OPIC GUARANTEES FOR ONSHORE EQUIPMENT, BUT ROC WOULD HAVE TO ACCEPT FACT THAT OUR DIFFERENT ASSESSMENT OF TAIWAN STRAITS SITUATION MEANT EE COULD NOT GO AHEAD WITH SUCH GUATANTEES FOR OFFSHORE EQUIPMENT.

6. ASSISTANT SECRETARY SAID WE WOULD TRY TO BE HELPFUL ON EXIM FINANCING. SUN REQUESTED PARTICULAR ASSIST-
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ANCE IN OBTAINING FEDERAL ENERGY ADMINISTRATION APPROVAL FOR PROPOSED EXIM FINANCED NAPHTHA CRACKING FACILITY WHICH HE DESCRIBED AS KEY TO THE DEVELOPMENT OF A PETRO-CHEMICAL INDUSTRY ON TAIWAN. ASSISTANT SECRETARY PROMISED WE WOULD DO OUR BEST TO EXPEDITE FEA DECISION.

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